



**Nechako-Kitamaat  
Development Fund Society**

**- Business Plan -**

**2016 – 2017**

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NKDF BUSINESS PLAN

## EXECUTIVE SUMMARY

Nechako-Kitamaat Development Fund Society (NKDF) incorporated on August 18, 1999 for the purpose of supporting sustainable economic activity in northern communities affected by the Kitimat-Kemano project and by the creation of the Nechako Reservoir. The Society spends the income from its long-term investments on programs and projects that meet each community's goals for sustainable economic development and community stability.

The government of British Columbia and Alcan Aluminum Limited (Rio Tinto) each contributed \$7.5 million to create the BC-Alcan Northern Development Fund. Of the \$15 million, \$5 million was allocated to a working fund and \$10 million was used to establish a Legacy Fund in perpetuity.

Local governments and legally incorporated non-profit organizations are eligible to apply for NKDF funds. While remaining open to partnering in larger regional projects, the Society encourages applications from the following communities and surrounding areas:

Kitamaat Village	Village of Burns Lake	Nadleh Whut'en Band
Southside	Burns Lake Band	Fort Fraser
Nee Tahi Buhn Band	Lake Babine Nation	District of Vanderhoof
Cheslatta Carrier Nation	Stellat'en First Nation	Saik'uz First Nation
Skin Tyee Band	Village of Fraser Lake	

Since its inception, NKDF has approved \$9,361,405 for economic development and community stability projects across the investment area. The following table shows the dollar value of approvals for each year of operation.

Year	Approvals
<b>1999-2010</b>	6,309,221
<b>2010-2011</b>	553,903
<b>2011-2012</b>	401,639
<b>2012-2013</b>	513,394
<b>2013-2014</b>	552,847
<b>2014-2015</b>	531,005
<b>2015-2016</b>	499,396
<b>All Years</b>	<b>9,361,405</b>

The Society plans to invest \$500,000 in projects across the investment area during the 2016-2017 fiscal year. The Board of Directors will request a transfer in the amount of \$500,000 from the BC Investment Management Corporation.

This business plan details how the Board of Directors will continue to support economic development throughout the NKDF investment area, while maintaining the legacy investment fund in perpetuity.

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## **INTRODUCTION**

### ***Mandate***

The Nechako-Kitamaat Development Fund Society's funding programs are designed to support sustainable economic activity in northern communities affected by the Kitimat-Kemano project and by the creation of the Nechako Reservoir. The NKDF Society spends the income from its long-term investments on programs and projects that meet each community's goals for economic development and community stability.

### ***Background of the Fund***

Nechako-Kitamaat Development Fund Society was founded as a result of an out-of-court settlement (the BC-Alcan 1997 Agreement). Signed on August 5, 1997, the BC-Alcan 1997 Agreement settled the legal issues between Alcan Aluminum Limited and the BC Government that arose from the cancellation of the Kemano Completion Project. In 1997, the Government of British Columbia and Alcan Aluminum Limited each contributed \$7.5 million to create the BC-Alcan Northern Development Fund. In January 1998 an advisory Board for the Northern Development Fund was formed. Its job was to advise the government on how to best manage the \$15 million most effectively.

In April 1998, the legislature passed Bill 5, the "BC-Alcan Northern Development Fund Act." Enabled by this Act, and by the recommendations of the advisory Board, the NKDF Society was incorporated on August 18, 1999. The Minister of Jobs, Tourism and Skills Training appoints Board members to represent the communities of the Nechako-Kitamaat area. The following is a timeline of events leading up to the incorporation.

- The cancellation of the Kemano Completion Project led to a conflict between the Province of BC and Alcan Aluminum Limited.
- BC-Alcan 1997 Agreement arose from an out-of-court settlement between the Province of BC and Alcan Aluminum Limited.
- The BC-Alcan 1997 Agreement led to enactment of the BC-Alcan Northern Development Fund Act.
- In 2003, the government conducted a core review. One result was the addition of Burns Lake to the NKDF catchment area.
- The BC-Alcan Northern Development Fund Act led to formation of the Advisory Committee to advise the Minister with respect to payments from the fund.
- Nechako-Kitamaat Development Fund was founded in 1999 to promote sustainable economic development in communities that were directly impacted by the creation of the Nechako Reservoir.

## ***Nechako-Kitamaat Development Fund Society Guiding Principles***

COMMUNITY ECONOMIC DEVELOPMENT	NKDF will invest in community economic development projects and/or programs that are supported by the community, as long as they do not subsidize private businesses.
JOB CREATION & ENHANCEMENT	Creating new jobs and enhancing existing jobs are priorities of NKDF.
SUSTAINABLE EMPLOYMENT	A priority of the Fund will be to support long term employment - both full time and seasonal.
COMMUNITY INTERRELATIONSHIPS	The Fund recognizes the value of interrelationships between communities. Consideration will be given to proposals from within the Nechako Region, Lakes District and Kitamaat Village if they demonstrate a benefit to those areas.
CLEAR AND ACCESSIBLE	The Fund will have policies and programs that are accessible with clearly defined evaluation criteria.
FIRST NATIONS' PARTICIPATION	First Nations' participation in the Fund will not prejudice the First Nation land claim process.
LOCAL CONTROL	The majority of NKDF Directors will reside in the investment area. The Board will determine the ongoing management of the Fund consistent with provincial government policy.
BENEFITTING FUND	The Fund is intended to create benefits through sustainable community economic development. It is not intended to be compensation for those who believe themselves to have been negatively affected by the Kitimat-Kemano Project, the creation of the Nechako Reservoir or the cancellation of the Kemano Completion Project.
COOPERATIVE VENTURES	The Fund can be utilized in cooperative ventures along with other funding sources.
NO DUPLICATION	The Fund will not duplicate but may augment existing economic development programs.

Of the original \$15 million, \$5 million was provided to NKDF to be used as a working fund to invest in community and regional economic development projects. The remaining \$10 million of the original \$15 million was placed into a legacy fund with the goal of investing and growing the fund to \$15 million, and the income from the legacy fund to be used to finance NKDF investments into the future.

Fund investments are managed by the provincial government through the Office of the Chief Investment Officer. Monies of the Northern Development Fund—to be used in support of the programs of the NKDF Society—are in investment vehicles, which are generally conservative but also provide some opportunities for growth.

### ***How and Where the Fund Invests***

The investment area for NKDF is normally limited to those communities with evidence of impacts from the Nechako Reservoir and the Kemano power project. Eligible applicants are local governments and legally incorporated non-profit organizations. The Society encourages applications from the following communities:

Kitamaat Village	Village of Burns Lake	Nadleh Whut'en Band
Southside	Burns Lake Band	Fort Fraser
Nee Tahi Buhn Band	Lake Babine Nation	District of Vanderhoof
Cheslatta Carrier Nation	Stellat'en First Nation	Saik'uz First Nation
Skin Tyee Band	Village of Fraser Lake	

## **MANAGEMENT STRUCTURE**

### ***Managing the Society's Operations and Projects***

The Manager is responsible for overseeing the operations of the Society and takes direction from the Chair between Board meetings. The Manager's detailed job description is in the *Policies and Procedures* manual, which is available upon request.

### ***Managing the Society's Finances***

The Chair, the Secretary-Treasurer and the Manager will have signing authority on chequing accounts for administration and funding assistance, on term deposits, and on the investments held with Phillips, Hager and North. The balance of the Northern Development Fund is held and managed by the British Columbia Investment Management Corporation.

Cash is held in interest-bearing chequing accounts at local credit unions. All cheques require two signees. The Manager maintains NKDF monthly financial records using Sage Simply Accounting software, and the Board appoints an accounting firm at each Annual General Meeting to perform an independent review of year-end finances. Edmison-Mehr Chartered Accountants of Smithers, BC has been selected as the auditor for the 2016-2017 fiscal year.

The Finance Committee comprised of the Chair, the Secretary-Treasurer, and the Manager, is convened as needed. The Committee develops and reviews investment policies and selects investment vehicles in a competitive process to ensure NKDF funds are invested conservatively and with the best rates of return possible. The Board makes the final decisions on all Finance Committee recommendations.

The Board of Directors receives quarterly reports from Phillips, Hager & North (PHN) and reviews them regularly for compliance with the investment policy. NKDF manages investment liquidity and risk factors in keeping with guidelines established by the Ministry of Finance and targets set by the NKDF Board of Directors at an Annual Strategic Planning Session held in May of each year.

## ***Managing the Society's Meetings and Decision-Making Processes***

The Board meets in person or via conference call up to four times each year, with additional meetings convened as needed. Meetings are held in communities throughout the investment area, with portions of each meeting open to attendance by the public. The Board of Directors employs consensus for all decision-making. (For more details, see the *Policies and Procedures* manual, available upon request)

Public accountability is created by:

- Allowing delegations and visitors to attend portions of each Board meeting.
- Making decision records publicly available upon request.
- Maintaining communication between the Manager and a representative of the provincial government between meetings regarding significant issues as they arise.
- Providing an Annual Report to the funding partners (the Provincial Government, Rio Tinto, and the public), both by distributing individual copies on request and by posting the Annual Reports on the Society's website at <http://nkdf.org/news/annual-reports>.
- Preparing an annual Business Plan with performance measures and targets, available to the public on the Society's website at <http://nkdf.org/news/business-plans>.
- Having a public process for selecting Board members, consisting of a minimum of two weeks of advertising and inviting local governments to nominate director candidates whenever a vacancy occurs. All candidates are then ranked according to objective criteria listed in the Director's job description and sent to the Provincial Government for consideration.

## ***Managing Evaluation of the Society's Operations and Programs***

The Board of Directors evaluates and reviews the Society's performance goals annually. Directors will complete an internal evaluation of NKDF operations and programs by the end of March of each year, and the results of which will be summarized in the Annual Report. The Society Chair will lead the evaluation with participation by the Board and the Manager. The evaluation will be based on the following points:

- What is working well?
- What is not working well?
- Are we achieving the goals stated in the year's business plan?
- If not, what obstacles are we encountering and how might they be removed?

The annual report will evaluate the adherence to the Guiding Principles and accomplishments in funding economic development projects.

The Board of Directors will evaluate management services each fiscal year, and at least six months prior to contract expiry. The Chair will lead the evaluation, with participation from the Board and Manager. The evaluation will be based on the contract deliverables with each deliverable being reviewed according to the following:

- Was each deliverable completed as expected?
- If not, how did the outcome differ from expected?

- What can we learn from our experiences?
- What is working well?
- What is not working well?
- How can we improve our administration?
- What can we do about identified obstacles?
- What can we do to make improvements or changes?

### ***Managing the Society's Communications***

The Manager is responsible for developing and implementing a communications strategy, using media releases, a web-site ([www.nkdf.org](http://www.nkdf.org)), and by direct contact with local, provincial and federal agencies. The Communications Strategy is comprised of six goals:

1. To create an identifiable regional image for the Nechako-Kitamaat Development Fund Society and its funding partners, the Provincial Government and Rio Tinto;
2. To inform prospective applicants about the Fund, its purpose, priorities and how to apply for funding;
3. To inform related agencies and individuals about the economic development projects financed by the Fund;
4. To raise and maintain the profile of the Board members in their home communities and throughout the Fund area;
5. To comply with provincial government reporting requirements;
6. To track and evaluate the effectiveness of all communications.

### ***NKDF Strategic Plan for 2016-2017***

The Board will adopt the following strategies for the 2016-2017 fiscal.

- 1) To fund projects that address impacts most important to the communities.
- 2) To review applications expeditiously.
- 3) To give priority to projects that maximize economic benefits.
- 4) To canvas communities and organizations to solicit feedback and determine the effectiveness of NKDF programs and potential new initiatives.
- 5) To explore ways to target funding toward more diverse, collaborative, and regional projects.
- 6) To explore options to increase capital for NKDF programs.



## **NKDF Funding Program Criteria for 2016-2017**

The funding program supports projects that address one or more of the following key aspects of economic development in the NKDF investment area:

- **Infrastructure:** the public facilities, equipment or installations needed to support businesses, jobs, community stability, including items that enhance the quality of life and develop communities' ability to attract and retain residents and businesses. Examples: lighting, water, sewer, transportation, telecommunications, recreation facilities and beautification.
- **Planning and Research:** the background information a region or industry sector requires for making sound decisions about future investments. Examples: product testing, market research, needs assessments, surveys and strategic planning.
- **Human Development:** the skills training that enable people and organizations to increase employment and economic activity. Examples: workshops and courses.
- **Promotion and Brokering:** the process of building new organizations, partnerships and markets. Examples: marketing plans and joint ventures.

### **Priority will be given to projects that:**

- Fit in the context of long-term community economic development plans.
- Enable a community to acquire public or private investment.
- Lead to long-term jobs in the region.
- Promote economic activity and remove constraints from the business sector in the investment area, without subsidizing any individual business.
- Have community buy-in, demonstrated by support letters and donations from local government and other organizations within the local community.
- Have benefits continuing after the funding is invested and the project completed.

### **Costs eligible for NKDF funding**

The fund will not normally cover more than 50% of project costs.<sup>1</sup> In-kind donations are acceptable at market rates and must be verifiable and documented by written commitments from donors. NKDF funds can be used towards:

- Contracted goods and services.
- Capital costs, materials and supplies, excluding the costs of land.
- Incremental labour (wages plus employer costs) and related costs such as supervision, travel, training and skill development.<sup>2</sup>
- Rent or lease of facilities and equipment dedicated to the project.
- Specific administrative costs to a maximum of 10% of a request.

### **Ineligible projects and costs**

- Funds cannot be used to subsidize or compete with private enterprise.
- Funds cannot be used to pay wages of employees doing their regular jobs.
- Funds cannot be used to pay GST.
- Funds cannot be used to pay for any costs incurred prior to a project's start date.

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<sup>1</sup> Note: Ineligible costs cannot be used to leverage NKDF funds.

<sup>2</sup> Incremental costs are those expended toward completion of a project, but which would not occur if the project did not exist.

## **PROGRAM ADMINISTRATION**

During 2015-2016, administration costs were maintained at reasonable percentages of the total amount of funds awarded.

### ***Funding Programs***

The Society approved \$447,844 in funding assistance during the 2015-2016 fiscal year, bringing the approved since its inception to a total of \$9,361,405. During the 2016-2017 fiscal year, the Society will make \$500,000 available for qualifying organizations throughout the investment area. For more information on this projection, refer to Table 1, page 11.

The success of the funding program can be attributed to a number of factors:

1. Directors create public awareness and profile by attending NKDF events (cheque presentations, grant writing workshops, grand openings) and promoting the Society within their communities.
2. Residents throughout the investment area are aware of the Society because of ongoing visits by the Manager and Directors, and the promotion of the NKDF brand and logo through signage posted at each funded project location.
3. Promotion on the NKDF website, NKDF Facebook page, and in local media, highlighting successful projects, people and organizations throughout the investment area.
4. Responding to community and organizational needs promptly and effectively.

Based on current enquiries to the Society, the Board anticipates a continuing high demand for assistance. In addition to the factors noted above, the Board has created a framework for ongoing evaluation of the funding program and the Society. The framework identifies the evaluation points, methods and processes for measuring and reporting results into the future.

Funds will be awarded to a range of community and economic development projects in a timely and fair manner, based on evaluation criteria provided in the guidelines. The Manager will evaluate the proposals, giving the proponents every reasonable opportunity to revise their proposals before the final deadline.

Cheques will be issued only after both parties sign a legally binding contribution agreement, detailing the terms and conditions of project evaluation, proponent reporting and NKDF funding. The Manager or a sub-contractor approved by the Board will evaluate all funded projects before releasing the final payment to ensure that the project meets the terms of the contribution agreement.

The entire funding program will be evaluated annually at the end the fiscal year with results to be summarized in the Annual Report. The evaluation will cover:

- How many, what types and what dollar value of projects were approved and funded?
- How many proposals were rejected and why?
- Were the overall results/benefits achieved or not achieved?
- If anticipated results were not achieved, what happened? What can we learn?
- Did we achieve regionally equitable distribution of funds?
- Are the reporting/communications from successful applicants adequate?

- Did the funded projects meet the Guiding Principles and Mandate of the Society?
- If not, what happened? What can we learn? Should the Guiding Principles and Mandate be refined to reflect emerging needs in the investment area?
- Has anyone complained about an award because it appeared to be subsidizing a business, or for any other reason? If so, what adjustments need to be made, if any?
- What can we do to improve program delivery and effectiveness?

For more information on the funding program refer to *Program Guidelines* [www.nkdf.org/how-to-apply/program-guidelines](http://www.nkdf.org/how-to-apply/program-guidelines).

## 2016–2017 FISCAL PLAN

The Board has set a target of \$500,000 for community economic development funding in the region this year. At April 1, 2016, NKDF assets are valued at \$1,998,321.

### *Five Year Fiscal Plan*

The Fund was established with the purpose of benefiting communities in the investment area for as long as the Kemano power project continued to affect the region. To meet that objective, the Board of Directors has to balance two “bottom lines” in their spending strategy—one bottom line is to invest in and support current economic development activities in the investment area and the other is to establish an economic development Legacy Fund in perpetuity.

This business plan is reviewed annually and updated to incorporate new information on operating account interest rates and rates of earnings on British Columbia Investment Management Corporation investments. As rates change, the spending plan can shift accordingly to maintain a minimum of \$15 million in the legacy fund.

The following five-year plan represents a balance between the needs of the area for immediate investment while maintaining the legacy fund in perpetuity.

This year the Society plans to make \$500,000 available to assist community organizations with matching funding (See Table 1). The Board of Directors will request a transfer in the amount of \$500,000 for 2016-2017, as well as requesting that \$500,000 be appropriated for the 2017-2018 fiscal year.

**Table 1: 5 Year Plan**

<b>5-YEAR FINANCIAL PLAN</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
Anticipated New Grant Targets	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Opening Balance NKDF Assets	\$2,002,102	\$2,002,102	\$2,003,207	\$2,004,368	\$2,005,586
Transfers from BCIMC	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Grant Payments In Year	(\$495,592)	(\$495,000)	(\$495,000)	(\$495,000)	(\$495,000)
Administration	(\$104,513)	(\$104,000)	(\$104,000)	(\$104,000)	(\$104,000)
Investment Income Assumption	5.00%	5.00%	5.00%	5.00%	5.00%
Earnings - PHN, Integris, Other	\$100,105	\$100,105	\$100,160	\$100,218	\$100,279

<b>Closing balance NKDF funds</b>	<b>\$2,002,102</b>	<b>\$2,003,207</b>	<b>\$2,004,368</b>	<b>\$2,005,586</b>	<b>\$2,006,865</b>
Opening Balance BCIMC	\$15,881,286	\$15,857,725	\$15,833,456	\$15,808,460	\$15,782,714
Investment Income Assumption	3.00%	3.00%	3.00%	3.00%	3.00%
BCIMC Earnings	\$476,439	\$475,732	\$475,004	\$474,254	\$473,481
Transfers from BCIMC to NKDF	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
<b>Closing Balance BCIMC Funds</b>	<b>\$15,857,725</b>	<b>\$15,833,456</b>	<b>\$15,808,460</b>	<b>\$15,782,714</b>	<b>\$15,756,195</b>
<b>Total BCIMC Plus NKDF Assets</b>	<b>\$17,859,827</b>	<b>\$17,836,664</b>	<b>\$17,812,828</b>	<b>\$17,788,300</b>	<b>\$17,763,061</b>

## Appendix A: Budget Projections

<b>OPERATING BUDGET</b>	<b>2015-2016</b>	<b>2016-2017</b>
	<b>Actual</b>	<b>Projected</b>
Accounting and Audit Services	5,535	5,560
Advertising and Promotion	3,500	3,500
Bank Fees	0	50
Honorariums	5,825	7,000
Insurance	1,034	1,100
Office	7,230	2,692
Server Maintenance		4,608
Subcontract - Manager	60,774	62,103
Subcontract – Other (Website)	1,788	2,000
Telephone	2,372	2,400
Supplies and Equipment	1,564	2,000
Travel and Meetings - Board	4,901	8,000
Travel and Meetings - Manager	3,372	3,500
<b>Total Operations Expenses/Income</b>	<b>97,895</b>	<b>104,513</b>

<b>PROJECT FUNDING BUDGET</b>	<b>2015-2016</b>	<b>2016-2017</b>
	<b>Actual</b>	<b>Projected</b>
<b>Total Project Funding Expenses</b>	<b>\$349,949</b>	<b>\$495,592</b>